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STATEMENT

Mr. Chairman, I appreciate this opportunity to appear before your Subcommittee to discuss S. 2714, which amends the Central Intelligence Agency Retirement Act of 1964 for Certain Employees.

In 1963, this Committee approved a separate retirement system for those of our people who are engaged in overseas operations and certain types of unique or hazardous duty. About one-third of our staff employees are covered by the CIA Retirement Act and the remaining two-thirds are covered by the Civil Service Retirement System.

Since the CIA Retirement Act was based upon the Civil Service Retirement Act in most major respects, this Committee over the years has favorably reported legislation which conforms our Act to applicable changes in the Civil Service system, including the provision which provides for cost of living adjustments of annuities.

P. L. 93-136, just enacted, amended the cost of living provision of the Civil Service retirement system to guarantee retirees or survivors an annuity no less than what would have been paid had the individual been eligible to receive the last cost of living increase. Previously, one had to be on the retirement rolls before the effective date of a cost of living increase in order to be eligible for the increase.

Under the old Civil Service provision and the current CIA provision, large numbers of employees retired immediately prior to the effective date of a cost of living increase in order to be eligible for the increase. These peaked retirements created an administrative burden and upset work requirements.

The change in the Civil Service law should spread out retirements over a more normal period since an employee can remain on duty without suffering a reduction in the amount of annuity he will be receiving. The change also corrects an anomaly whereby an employee or a survivor who goes on to the retirement rolls after a cost of living increase receives a smaller annuity than an employee retiring sooner, even though the former annuity is calculated with more service and a higher base salary. Agency employees who are under the Civil Service system will benefit from P. L. 93-136. We feel that the same benefits should be extended to employees under the CIA Retirement Act.

P. L. 93-136 was made retroactive to include the last cost of living increase effective 1 July 1973 and covers all those who retire on or after 2 July. Since 1 July 1973, twenty-four employees have retired under the CIA Retirement Act and the survivors of seven employees who died in service have been added to the retirement rolls. None may receive any benefits from the 1 July 1973 cost of living increase without a change in the law. May I also add that there will be another cost of living

increase on 1 January 1974. Those employees under the Agency system who planned to retire in early 1974 must now retire no later than 31 December 1973 to receive the benefit of the 1 January 1974 increase.

Peaked retirements prompted by cost of living increases under the CIA Retirement Act do not impose upon the Agency the same heavy administrative burden experienced by the Civil Service Commission under the Civil Service retirement system. However, projected work requirements are affected and personnel adjustments must be made with little notice. S. 2714 should ameliorate all of these problems.

The costs of this legislation will be borne out of the Central Intelligence Agency Retirement and Disability Fund. The impact on the Fund will be relatively minor. The Civil Service Commission in its report to the Post Office and Civil Service Committees noted that employees may delay their retirement for a few months and pay more money into the retirement fund. On the other hand, to the extent that they receive some benefit from the last cost of living increase, more money is paid out of the fund. Taking into account the last cost of living increase of 1 July 1973, 6.1 percent, and the expected increase on 1 January 1974, figured now to be 5.5 percent, it is estimated that the increase in the CIA Retirement Act's unfunded liability would be about

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It is hoped that the Committee will give favorable consideration to S. 2714 as soon as possible in view of the impending cost of living

increase due on 1 January 1974. If this bill is enacted, not only will retirees and employees under the CIA Retirement Act receive the same benefits now afforded to CIA retirees and employees under the Civil Service system, but retirement planning will no longer be subject to the extraneous consideration of eligibility for a cost of living adjustment, as now exists under current law.

Thank you Mr. Chairman. I will be glad to answer any questions.